

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 7**

TO: Board of Directors

FROM: Edward Burnham, Finance and Operations Director
Mitch Sears, Executive Officer

SUBJECT: Financial Update – December 31, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending December 31, 2022

DATE: February 9, 2023

RECOMMENDATION

Accept VCE Financial Statements (unaudited) for the period of December 1, 2022 to December 31, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending December 31, 2022.

BACKGROUND & DISCUSSION

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, Staff is reporting the Actual vs. Budget variances year to date ending December 31, 2022.

Financial Statements for the period December 1, 2022 – December 31, 2022

In the Statement of Net Position, VCEA, as of December 31, 2022, has a total of \$8,497,996 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$2,709,273 restricted assets for the Power Purchases Reserve account.

The term loan with River City Bank includes a current portion of \$712,255. The line of credit with the County of Yolo was paid in full on December 29, 2022. On December 31, 2022, VCE's net position is \$15,848,882.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$5,710,078 of revenue (net of allowance for doubtful accounts), of which \$6,588,058 was billed in December, and \$3,430,397 represent estimated unbilled revenue. The cost of electricity for the December revenue amount totaled \$4,578,927. For December, VCE's gross margin was approximately 13% and net income totaled \$599,073. The year-to-date change in net position was \$6,114,633.

In the Statement of Cash Flows, VCEA cash flows from operations were \$7,616,356 due to December cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending December 31, 2022

Below are the financial statement line items with variances >\$50,000 and 5%

- Electric Revenue – (\$4,422,520) and -5% – Unfavorable variance due to the 2022 Budget incorporated revenues associated with extreme temperatures and drought conditions. These revenues have not fully materialized in the actuals for 2022.
- Purchased Power – (\$7,409,799) and -11% – Unfavorable variance due to warmer weather than forecast during the winter months, heat storms in June and September, and gas prices driving short-term power market increases.
- Marketing Collateral – 59,200 and 25% – favorable variance related to the delay of engagement activities related normalization post COVID-19.
- Contingency – \$240,000 and 100% – favorable variance to budget is due to not having a need yet to utilize the contingency funds set aside in the budget.

Attachments

1. Financial Statements (Unaudited) December 1, 2022 to December 31, 2022 (with comparative year to date information.)
2. Actual vs. Budget for the year to date ending December 31, 2022



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF NOVEMBER 1 TO DECEMBER 31, 2022

PREPARED ON FEBRUARY 1, 2023

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
DECEMBER 31, 2022
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	8,497,996
Accounts receivable, net of allowance		11,085,080
Accrued revenue		3,430,397
Prepaid expenses		53,420
Other current assets and deposits		2,139,195
Total current assets		<u>25,206,088</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		2,709,273
Total restricted assets		<u>3,809,273</u>

TOTAL ASSETS	\$	<u>29,015,361</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	5,486,908
Accrued payroll		96,998
Interest payable		3,985
Due to member agencies		(28)
Accrued cost of electricity		3,878,641
Other accrued liabilities		948,991
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		58,729
Limited Term Loan		712,255
Loan - County of Yolo		-
Total current liabilities		<u>13,166,479</u>

Total noncurrent liabilities		-
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TOTAL LIABILITIES	\$	<u>13,166,479</u>
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NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		3,809,273
Unrestricted		11,815,109
TOTAL NET POSITION	\$	<u>15,848,882</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF DECEMBER 1, 2022 TO DECEMBER 31, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2022	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 5,710,078	\$ 85,327,479
Other revenue	-	\$ 1,158,974
TOTAL OPERATING REVENUES	5,710,078	\$ 86,486,453
OPERATING EXPENSES		
Cost of electricity	4,578,927	\$ 74,399,899
Contract services	328,355	\$ 2,814,742
Staff compensation	103,712	\$ 1,265,933
General, administration, and other	59,031	\$ 1,849,431
TOTAL OPERATING EXPENSES	5,070,025	\$ 80,330,005
TOTAL OPERATING INCOME (LOSS)	640,054	\$ 6,156,448
NONOPERATING REVENUES (EXPENSES)		
Interest income	11,251	\$ 46,501
Interest and related expenses	(52,232)	\$ (88,316)
TOTAL NONOPERATING REVENUES (EXPENSES)	(40,981)	\$ (41,815)
CHANGE IN NET POSITION	599,073	\$ 6,114,633
Net position at beginning of period	15,249,809	\$ 9,734,249
Net position at end of period	\$ 15,848,882	\$ 15,848,882

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2022	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,863,810	\$ 71,111,107
Payments received from other revenue sources	-	1,158,283
Payments to purchase electricity	(3,581,110)	(70,929,352)
Payments for contract services, general, and administration	4,431,290	937,409
Payments for staff compensation	(97,634)	(1,141,963)
Net cash provided (used) by operating activities	7,616,356	1,135,484
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(2,043,417)	602,439
Interest and related expenses	(52,440)	(84,661)
Net cash provided (used) by non-capital financing activities	(2,095,857)	517,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	11,251	38,070
Net cash provided (used) by investing activities	11,251	38,070
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,531,750	1,550,413
Cash and cash equivalents at beginning of period	6,775,519	3,292,458
Cash and cash equivalents at end of period	\$ 12,307,269	\$ 6,088,653
Cash and cash equivalents included in:		
Cash and cash equivalents	8,497,996	8,497,996
Restricted assets	3,809,273	3,809,273
Cash and cash equivalents at end of period	\$ 12,307,269	\$ 12,307,269

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2022	YEAR TO DATE
	<u>2022</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 640,054	\$ 4,423,697
(Increase) decrease in net accounts receivable	336,852.06	(4,114,087.47)
(Increase) decrease in accrued revenue	802,209	(2,464,412.74)
(Increase) decrease in prepaid expenses	(21,338)	853,148.00
Increase (decrease) in accounts payable	4,916,644	125,522.43
Increase (decrease) in accrued payroll	6,078	27,011.00
Increase (decrease) in due to member agencies	-	(117,973.00)
Increase (decrease) in accrued cost of electricity	997,817	(2,451,345.00)
Increase (decrease) in other accrued liabilities	(76,630)	739,870.78
Increase (decrease) in user taxes and energy surcharges	14,671	(74,704.90)
Net cash provided (used) by operating activities	<u>\$ 7,616,356</u>	<u>\$ 2,322,202</u>

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 12/31/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 85,327,480	\$ 89,750,000	\$ (4,422,520)	-5%
Other Revenues - Programs	\$ 1,158,974	\$ -	\$ 1,158,974	100%
Interest Revenues	\$ 46,826	\$ 18,000	\$ 28,826	160%
Purchased Power	\$ 74,399,899	\$ 66,990,100	\$ (7,409,799)	-11%
Purchased Power Base	\$ 74,399,899	\$ 65,669,600	\$ (8,730,299)	-13%
Purchased Power Contingency 2%	\$ -	\$ 1,320,500	\$ 1,320,500	100%
Labor & Benefits	\$ 1,265,933	\$ 1,300,800	\$ 34,867	3%
Salaries & Wages/Benefits	\$ 1,052,440	\$ 1,089,600	\$ 37,160	3%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 40,800	\$ 40,800	100%
Human Resources & Payroll	\$ 213,493	\$ 170,400	\$ (43,093)	-25%
Office Supplies & Other Expenses	\$ 213,850	\$ 201,400	\$ (12,450)	-6%
Technology Costs	\$ 59,311	\$ 39,400	\$ (19,911)	-51%
Office Supplies	\$ 10,343	\$ 2,400	\$ (7,943)	-331%
Travel	\$ 2,183	\$ 6,000	\$ 3,817	64%
CalCCA Dues	\$ 114,123	\$ 127,200	\$ 13,077	10%
CC Power	\$ 26,891	\$ 24,000	\$ (2,891)	-12%
Memberships	\$ 1,000	\$ 2,400	\$ 1,400	58%
Contractual Services	\$ 2,590,526	\$ 2,643,300	\$ 52,774	2%
Other Contract Services	\$ -	\$ 25,200	\$ 25,200	100%
Don Dame	\$ 9,491	\$ 10,200	\$ 709	7%
SMUD - Credit Support	\$ 531,707	\$ 580,600	\$ 48,893	8%
SMUD - Wholesale Energy Services	\$ 603,594	\$ 593,400	\$ (10,194)	-2%
SMUD - Call Center	\$ 868,431	\$ 799,100	\$ (69,331)	-9%
SMUD - Operating Services	\$ 77,877	\$ 60,600	\$ (17,277)	-29%
Commercial Legal Support	\$ 15,324	\$ -	\$ (15,324)	100%
Legal General Counsel	\$ 106,550	\$ 154,800	\$ 48,250	31%
Regulatory Counsel	\$ 198,318	\$ 199,200	\$ 882	0%
Joint CCA Regulatory counsel	\$ 45,314	\$ 32,400	\$ (12,914)	-40%
Legislative - (Lobbyist)	\$ 60,000	\$ 60,600	\$ 600	1%
Accounting Services	\$ 9,138	\$ 26,400	\$ 17,262	65%
Financial Consultant	\$ -	\$ 25,200	\$ 25,200	100%
Audit Fees	\$ 64,783	\$ 75,600	\$ 10,817	14%
Marketing	\$ 181,000	\$ 246,000	\$ 65,000	26%
Marketing Collateral	\$ 180,800	\$ 240,000	\$ 59,200	25%
Community Engagement Activities & Sponsorships	\$ 200	\$ 6,000	\$ 5,800	97%
Programs	\$ 1,217,082	\$ 174,000	\$ (1,043,082)	-599%
Program Costs	\$ 126,317	\$ 174,000	\$ 47,683	27%
Programs - AgFIT	\$ 1,090,765	\$ -	\$ (1,090,765)	100%
Rents & Leases	\$ 17,600	\$ 21,600	\$ 4,000	19%
Hunt Boyer Mansion	\$ 17,600	\$ 21,600	\$ 4,000	19%
Other A&G	\$ 444,263	\$ 369,200	\$ (75,063)	-20%
Development - New Members	\$ -	\$ 25,200	\$ 25,200	100%
Strategic Plan Implementation	\$ 6,078	\$ 51,000	\$ 44,922	88%
PG&E Data Fees	\$ 282,343	\$ 276,000	\$ (6,343)	-2%
Insurance	\$ 12,249	\$ 8,400	\$ (3,849)	-46%
Banking Fees	\$ 143,592	\$ 8,600	\$ (134,992)	-1570%
Miscellaneous Operating Expenses	\$ 176	\$ 7,200	\$ 7,024	98%
Contingency	\$ -	\$ 240,000	\$ 240,000	100%
TOTAL OPERATING EXPENSES	\$ 80,330,330	\$ 72,193,600	\$ (8,136,730)	-11%
Interest on RCB loan	\$ 35,629	\$ 33,600	\$ 2,029	6%
Interest Expense - Bridge Loan	\$ 52,688	\$ 72,900	\$ (20,212)	-28%
NET INCOME	\$ 6,114,633	\$ 17,467,900	\$ (11,353,267)	-65%